#### **Navy Mutual Aid Association**



RETIREE SEMINAR
ANNAPOLIS - 2 August 2003

**Since 1879** 

#### NMAA MISSION

- Provide with certainty and promptness a substantial financial sum for the relief of the families of deceased members at as near net cost as possible
- Secure for surviving family those federal benefits to which they may be entitled

#### NMAA MISSION



Promote the financial well-being of present and former sea service uniformed personnel and their families.

Provide advice and education on matters of financial security.

#### **NMAA Value**

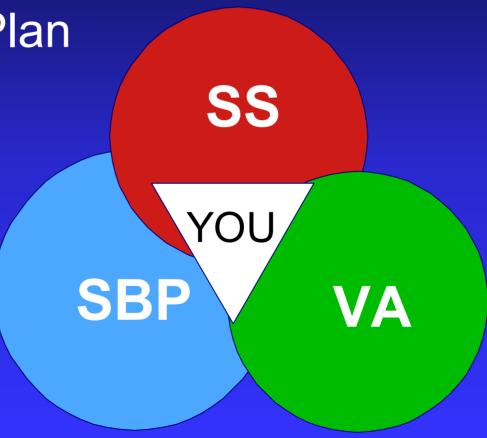
- Nonprofit
- ! No Fed or State Tax
- ! Not Commercially Underwritten
- ! No Sales Force
- ! No Commissions
- ! Small Central Staff
- ! Insurability Standards High
- ! No War Clause

### This Talk Ties Together The Survivor Benefits From:



- Social Security
- Veteran's Administration

Survivor Benefit Plan



#### Fleet Conventional Wisdom



- ! Military Retirement Pay is Offset by SS Retirement Benefits.
- ! It's Better Financially to Die on Active Duty than be Medically Retired.
- ! SGLI / VGLI are the Best Life Insurance Deals Available.
- ! SBP is a Rip Off and Easily Beaten by Life Insurance.
- ! SBP Applies only to Retirees.



#### **VA Survivor Benefits**





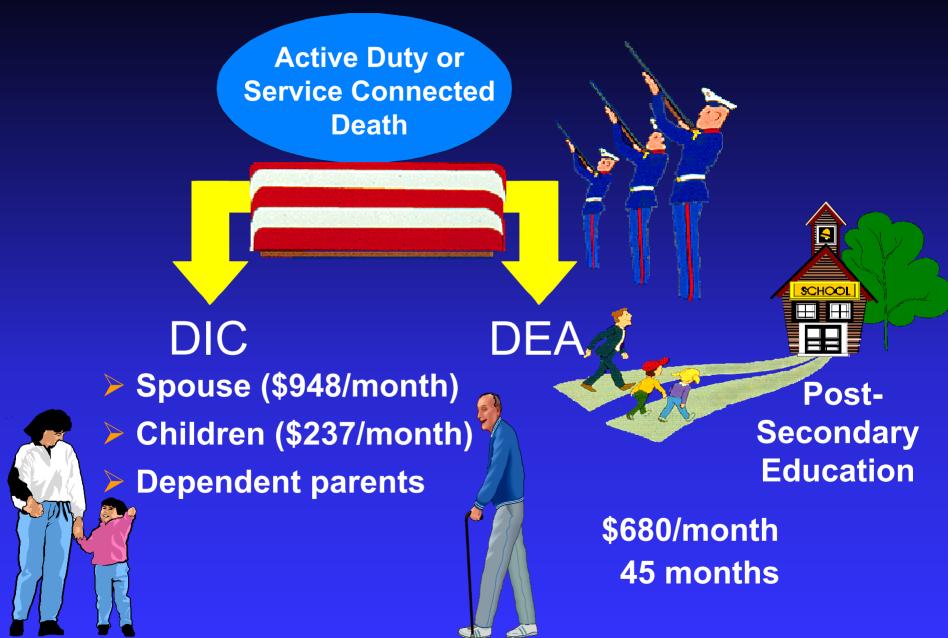


Active Duty or Service Connected Death



DIC

#### **VA Survivor Benefits**



#### <u>VGLI</u>

- ! Available in Increments of \$10,000
- ! Max Coverage is SGLI Amount
- ! Accelerated Death Benefit Option
- Beneficiary Financial Counseling Service
- ! Renewable at Five Year Intervals
- ! Convertible to Permanent Insurance
- ! No Proof of Medical Insurability
- ! Up to 120 Days to Elect

#### **VGLI**

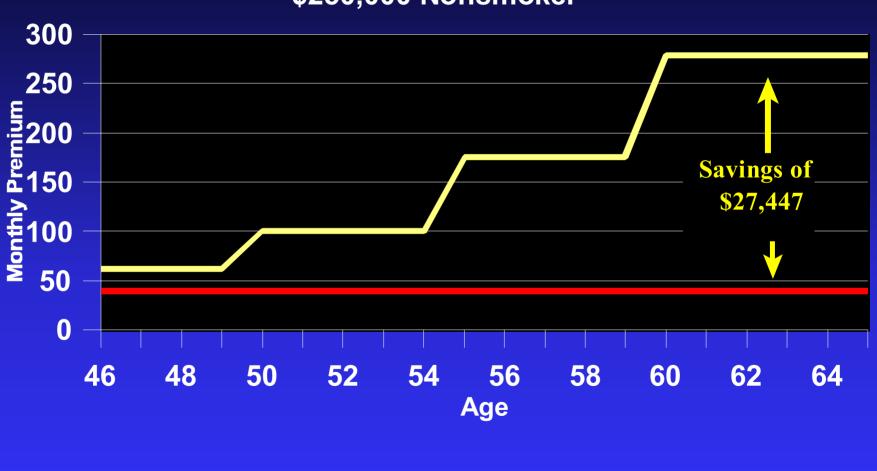


### Monthly Premiums for \$250,000 Maximum Coverage

**Under 30 \$20** 

#### VGLI vs Level Term

**\$250,000 Nonsmoker** 



**VGLI** 

**LEVEL (45-65)** 



# Social Security



# S.S. TAXES on Earned Income

Soc. Sec. Tax - 6.20% of \$87,000

**Medicare Tax** - 1.45% Of ALL Earned Income

### **Social Security** Primary Insurance Amount

(PIA)

- \$1096 E- 6 Age 30

- \$1439 Age 45 E-9

- \$1738 - Age 45 O- 5

WWW.SOCIALSECURITY.GOV

#### **PIA x Factor**

Provides
\$ Per Month
For







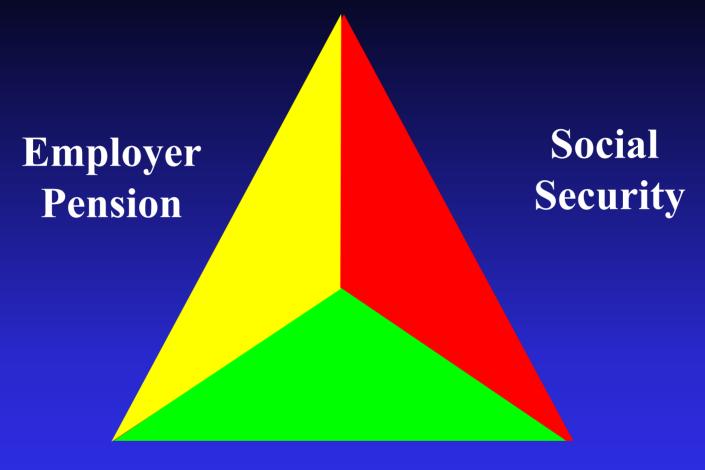


**Survivors** 

**Disabled** 

**Retired** 

#### Retirement Planning Triad



**Private Savings** 

60% - 80% of Final Salary to Maintain Financial Security into Retirement

#### Social Security: Full Retirement Age

Ri	rth	Year
<u> </u>	ı Cı ı	<u>ı oai</u>

1937 & Prior

1938 - 1942

1943 - 1954

1955 - 1959

1960 - Later

Full Ret. Age -Year

65

Plus 2 mos/ year

66

Plus 2 mos/year 67

#### **PIA x Factor**









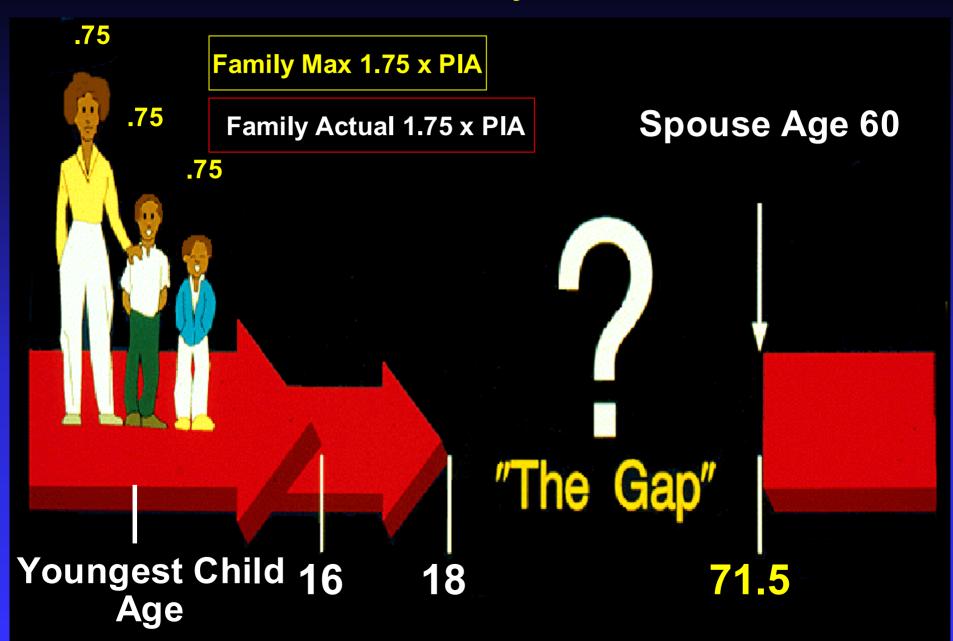


**Survivors** 

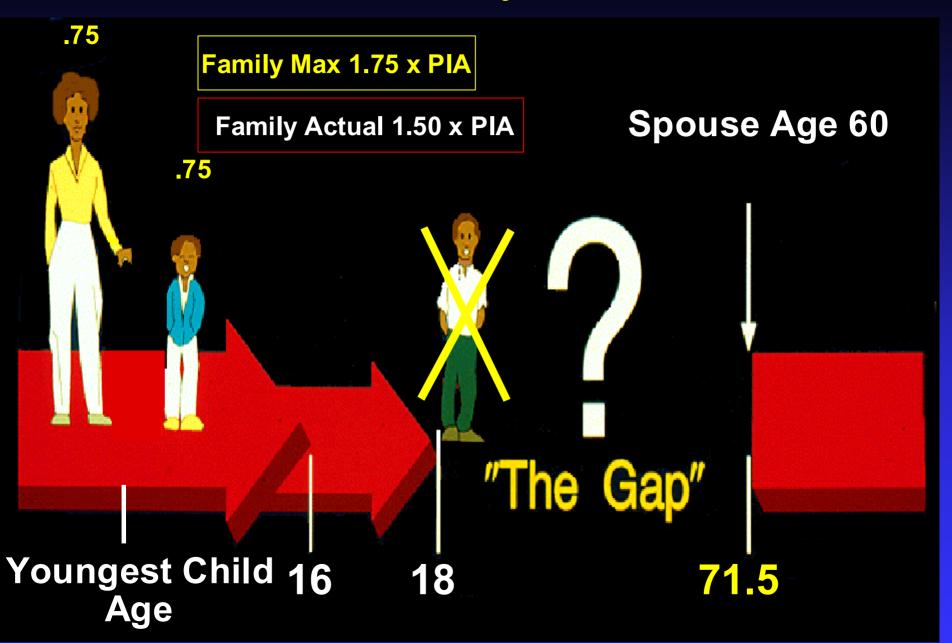
**Disabled** 

**Retired** 

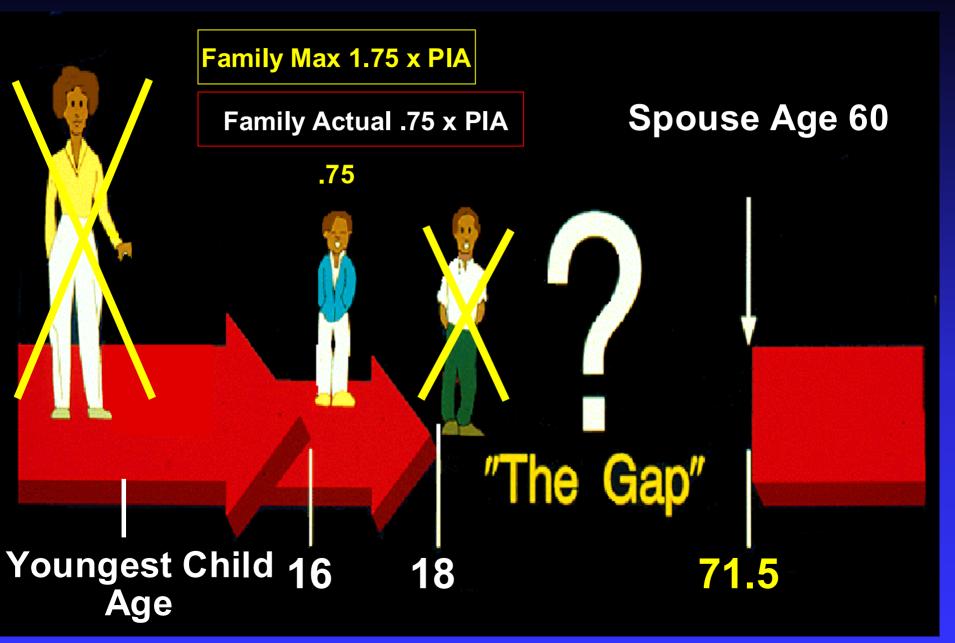
#### Survivor Social Security Benefits



#### Survivor Social Security Benefits



#### Survivor Social Security Benefits





#### Survivor Benefit Plan (SBP)



Percentage of Retirement Pay Received by the Survivors of a

**Active Duty Member** 

(Considered as 100% Disabled Retired)

OR

Retired Service Member

## Effective 1 October 1985 Two Tiered



.55 X Base

.35 X Base

62 Spouse Age

# Retired or Retirement elligible Prior to 1 Oct 1985 SS Offset Method



.55 X Base

.55 X Base minus SS Offset

62 Spouse Age

#### **Benefits After Age 62**



SS

.55 X Base

Reduced Base

62 Spouse Age

#### **SBP Cost**



.065 x Base Amount In \$ Per Month

NonTaxable

#### SBP Net Cost

Tax Bracket Net Cost
per \$1000
of Base Amount

0%

15%

25%

28%

33%

35%

\$65.00

\$55.25

\$48.75

\$46.80

\$43.55

\$42.25

#### **SBP Beneficiary Options**



- ! Spouse Only ! Former Spouse
- Spouse & Child ! Former Spouse & Child
- ! Child Only ! Insurable Interest
  - One Election Per Member

#### **Survivor Benefit Plan Facts**



- Decision Revocable
  - -Between 2nd 3rd Year
- Paid-Up After 30 Years and Age 70
- Cease Paying Premium
  - Children No Longer Eligible
  - Lose Spouse (Death or Divorce)
- Pay with Tax Exempt Dollars
- Beneficiary Income Taxed
- Indexed to Retiree COLA

#### **Survivor Benefit Plan Facts**



- Remarriage of Surviving Spouse
- Remarriage of Retiree
- No death benefit remains if spouse predeceases Retiree.
- Spouse cannot outlive SBP Benefits.
- No investment decisions required by surviving spouse.

#### **Information Resources**

WWW.AFPC.RANDOLPH.AF.MIL

SBP Cost vs Benefit Retired / Separation Pay Estimates

WWW.SOCIALSECURITY.GOV

Social Security Statement SS Retirement Benefits Calculators

WWW.VA.GOV
Veterans Survivor Benefits

#### **Requesting Information Online**

#### www.navymutual.org

- V NMAA Info
- Baseline
- Special Requests
- Related Web Sites
  - Financial Calculators
    Life Insurance
    Mortgage
    - Education
    - Retirement



#### **For More Information**

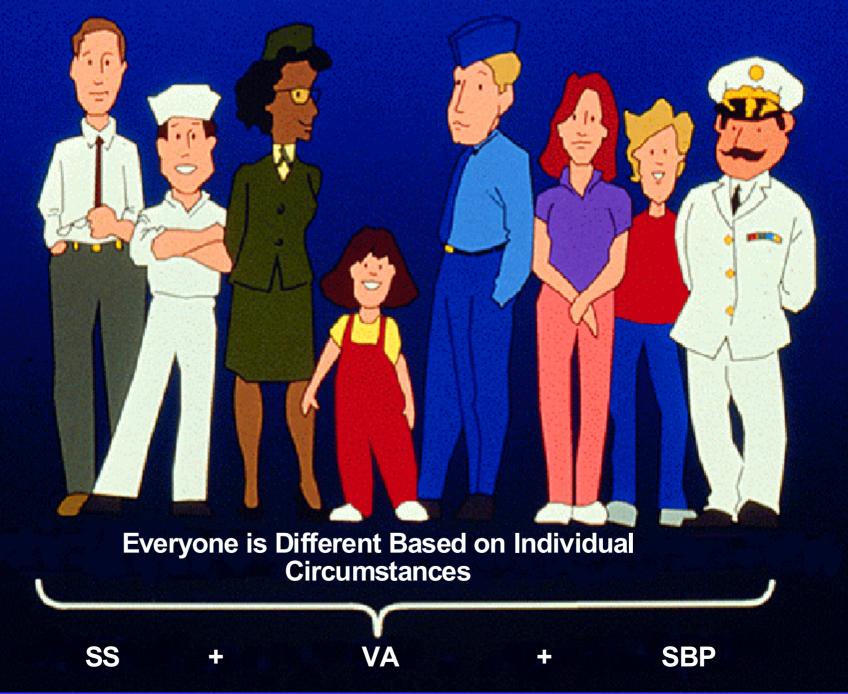
Call



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#### Navy Mutual Aid Association



**Since 1879**